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SUBJECT Terpil-Korkola -- Lutz Kaiser

DAN RATHER: Two Americans who jumped bail in the United States and were convicted in absentia for illegal arms deals have vanished from their exile haven in Beirut, and the possibility of foul play has been raised.

John Sheahan reports.

JOHN SHEAHAN: Frank Terpil and Gary Korkola are fugitives. Terpil is a former CIA agent wanted by federal authorities on charges on selling huge quantities of explosives to Libya and contracting to provide American Green Berets to train terrorists for Libyan leader Muammar Qaddafi. Still on the lamb, the two were attempting to open a restaurant in Beirut and were beginning to talk about themselves. They were interviewed by Mike Wallace for "60 Minutes."

MIKE WALLACE: Why is it, we asked Korkola, that U. S. authorities are so intent on getting hold of Frank Terpil.

GARY KORKOLA: Well, there's two sides of it. One, they want Frank back, and I think equally hard there's another group that doesn't want him back. They want him out of the way.

SHEAHAN: Last weekend Terpil and Korkola suddenly vanished. The last person known to have seen them in Beirut is Frank Terpil's wife of one year, Ruth.

RUTH TERPIL: Three men came to the restaurant and they wanted to talk to him. And that was the last time I saw him.

SHEAHAN: He just went with the three men?

MRS. TERPIL: Yes.

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SHEAHAN: Frank Terpil and Gary Korkola made a profession of being mysterious. Now just when they thought they had found refuge, there is a new mystery: their disappearance.

John Sheahan, CBS News, Beirut.

RATHER: Informed sources told CBS News this evening that Terpil and Korkola were abducted in Beirut by three Syrians, one of whom is identified as a freelance intelligence agent.

Terpil's alleged involvement in the illegal explosives sales to Libya was in partnership with Edwin Wilson, also a former CIA employee. The two offered Libya's radical regime a wide range of services and materiel, which, as David Andelman tells us in this special report, included some very sophisticated weaponry.

DAVID ANDELMAN: This is OTRAG, Orbital Transport and Rocket Corporation, a West German company formed originally to produce low cost weather and research rockets for the Third World. Its founder was this man, Lutz Kaiser, a German rocket genius who, a decade ago, hit on the idea of a simple low-cost method of launching a multistage rocket capable of ranges of 2,000 miles or more, or boosting ten ton payloads into earth orbit.

Three years ago, Lutz Kaiser made a pact with this man, Colonel Muammar Qaddafi of Libya. It was to be a mutually beneficial arrangement. Kaiser needed a rocket range to test his missiles; Qaddafi had a vast desert. There happened to be just the perfect oasis 500 miles south of Tripoli, 230 miles west of the Egyptian frontier, a test range stretching south and east. Kaiser and OTRAG would try to give Qaddafi the one thing all his oil billions had not yet been able to buy, a rocket with a range that could blanket the Mideast -- Israel, Saudi Arabia and southern Europe.

Kaiser's move to Libya was the last stop in a string of near misses and near failures. He'd already launched three rockets from a vast 40,000 square mile facility in Zaire, two full successes, one failure, a mid-flight explosion. But finally, combined pressure from the U. S., France and the Soviet Union, all of whom feared OTRAG and Kaiser were aiming to develop weapons, not weather rockets, forced Zaire's President Mobutu Sese-Seko to expel Kaiser and OTRAG. Out of operation, deeply in debt, Libya and Qaddafi were Kaiser's last chance.

But the OTRAG rocket, as a weapon, had one major problem that Kaiser had not been able to correct. It had no accurate and thoroughly reliable guidance system.

DR. HARRY RUPPE: I should think that the biggest drawback of the OTRAG vehicle is the lack of guidance at this time. Now, one can add a guidance system to the vehicle, and allegedly this has been done or is in the process of being done. I would think one needs

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both an ascent guidance and a terminal guidance system. That's fairly complex stuff, but it can be done.

ANDELMAN: Since such guidance systems are so critical to any missile based weapons system, the governments where they are produced keep them under very close wraps indeed. But Qaddafi had someone working for him who had obtained the sophisticated devices from inside the American military establishment. CBS News has learned that last November and December, Lutz Kaiser met on several occasions with this man, Edwin Wilson, a former American CIA agent now in Qaddafi's employ, who had arranged for everything from sophisticated explosive devices to the use of American Green Beret troops in Qaddafi's military.

At the meetings at the Beach Hotel in Tripoli, Kaiser is reported to have described to Wilson precisely what he needed to turn his OTRAG weather rockets into functioning intermediate range ballistic missiles.

Whether Wilson or Kaiser have been successful in obtaining a precision guidance system is not yet known, although it is understood that Wilson did make some approaches to TRW Space Systems Division and the LTV Corporation, both of which manufacture precision guidance systems. What is known is that two months ago OTRAG Germany and OTRAG Libya formally parted company, the German stockholders forcing Kaiser to sell out his shares and refrain from using the OTRAG name.

But Middle Eastern Intelligence sources and friends of Kaiser report that the German scientist has not given up. Now that whatever restraints the German shareholders provided have been removed, Kaiser, installed with his French wife in a bungalow adjacent to the launch site in Libya, is reportedly working frantically for Qaddafi himself. The goal: yet another rocket launch scheduled for late November or December. A success will mean Qaddafi is well on his way to a full-scale IRBM weapon. A failure could mean big trouble for Kaiser, who's already spent tens of millions of Qaddafi's oil dollars.

The OTRAG here in Germany claims that the Libyan OTRAG is an outlaw. Yet that company remains one mechanism to assure Qaddafi of a stream of high tech weaponry.

In our next report, we'll take a look at a German corporation largely controlled by Qaddafi that's supplying sophisticated military communications equipment to NATO forces in Europe.

David Andelman, CBS News, Munich.